CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 28, 2000

H.R. 4194
Small Business Merger Filing and Fee Elimination Act of 2000

As ordered reported by the House Committee on the Judiciary on July 11, 2000

SUMMARY

Under current law, companies considering merging with another firm or acquiring another firm must file notice of their intentions with the Federal Trade Commission (FTC) if the value of the transaction exceeds $15 million. Companies pay fees of $45,000 for each such filing. These collections are recorded as an offset to the appropriated spending of the FTC and the Antitrust Division of the Department of Justice, with one-half of the collections credited to each agency.

H.R. 4194 would increase the transaction value that triggers the FTC filing requirement to $50 million for certain transactions, and $200 million for all other transactions. The bill also would establish a new fee schedule, with larger fees (up to $250,000) for mergers and acquisitions involving large transaction values.

Finally, the bill would require the FTC and the Justice Department to streamline their requests for documents from companies involved in such transactions and to report to the Congress on such efforts.

CBO estimates that H.R. 4194 would reduce net spending subject to appropriation by $12 million in 2001 and by $26 million over the 2001-2005 period. H.R. 4194 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

H.R. 4194 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

H.R. 4194 would impose a private-sector mandate on some businesses that wish to merge with or acquire another business. CBO estimates that the cost to comply with this mandate would exceed the annual threshold established by UMRA for private-sector mandates ($109 million in 2000, adjusted annually for inflation) beginning in 2003.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4194 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit) and 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars				
	2001	2002	2003	2004	2005
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Changes in, Collections Under H.R. 4194					
Estimated Authorization Level	-93	-105	-120	-133	-152
Estimated Outlays	-93	-105	-120	-133	-152
Changes in Gross, Spending Under H.R. 4194					
Estimated Authorization Level	93	105	120	133	152
Estimated Outlays	81	99	117	131	149
Changes in Net, Spending Under H.R. 4194					
Estimated Authorization Level	0	0	0	0	0
Estimated Outlays	-12	-6	-3	-2	-3

BASIS OF ESTIMATE

CBO estimates small changes in spending subject to appropriation under H.R. 4194 because fees recorded as offsetting collections credited to appropriation accounts would increase under the bills, and the spending of those fees lags slightly behind their collection. As a result, the net charge in authorized spending would be zero for each year, but estimated outlays would be lower to reflect the lag.

H.R. 4194 would exempt companies from paying FTC fees for transactions that are less than $50 million in value. In addition, the bill would establish a new fee schedule that would require companies to pay $45,000 for transactions valued at more than $50 million and less than $100 million, $125,000 in fees for transactions valued between $100 million and less than $500 million, and $250,000 for transactions valued at $500 million or more.

CBO estimates that, under current law, receipts from fees covered by this bill would amount to $236 million in fiscal year 2001 and would grow to $344 million by fiscal year 2005. Based on the historical growth of the number and size of these transactions, CBO estimates that H.R. 4194 would increase fee collections by $603 million over the 2001-2005 period, subject to appropriation actions. Such collections are divided into equal shares that are recorded as offsets to the discretionary spending of the FTC and the Antitrust Division of the Department of Justice. Based on the historical spending patterns of these agencies, CBO estimates spending of such collections would total about $578 million over the 2001-2005 period. Implementing H.R. 4194, therefore, would reduce net spending by about $12 million in 2001 and by $26 million over the 2001-2005 period—reflecting the lag between the collection of fees in one fiscal year and their expenditure over two or three fiscal years.

PAY-AS-YOU-GO CONSIDERATIONS: None.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4194 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 4194 would increase the cost of an existing private-sector mandate for some businesses that wish to merge with or acquire another business. Current law requires businesses that propose to acquire over $15 million worth of voting stock in another corporation to notify the FTC of their intent, and to pay a filing fee. H.R. 4194 would amend current law by waiving notification requirements and filing fees for acquisitions involving less than $50 million worth of voting stock, but increase filing fees for acquisitions involving $100 million or more of voting stock. The required notices and fees constitute mandates because they are part of the federal government's antitrust review procedure, a nonvoluntary federal program. The direct cost of the mandate would be the additional amount of fees businesses would have to pay above what they would pay under current law. CBO estimates that businesses would pay an additional $603 million over the next five years because of the fee increases. The annual costs of the mandate would thus exceed the UMRA threshold ($109 million in 2000, adjusted annually for inflation) beginning in 2003.

PREVIOUS CBO ESTIMATE

On May 19, 2000, CBO transmitted a cost estimate for S. 1854, the Hart-Scott-Rodino Antitrust Improvements Act of 2000, as ordered reported by the Senate Committee on the Judiciary on April 27, 2000. CBO estimated that S. 1854 would reduce net spending subject to appropriation by $1 million a year over the 2001-2005 period, assuming appropriation of the necessary amounts. Although the two bills are similar in many respects, CBO estimates that H.R. 4194 would reduce net spending by a greater amount than S. 1854 because H.R. 4194 would raise fees more for transactions larger than $100 million.

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